Submission by

BusinessNZ

THE VOICE OF BUSINESS

to the

New Zealand Infrastructure Commission

on the

Draft National Infrastructure Plan

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Business New Zealand
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Wellington

1. Introduction

1.1. BusinessNZ agrees with the Infrastructure Commission's view that New Zealand can have better infrastructure, although we believe that the country must have better infrastructure.

1.2. Our view is that a high quality, well-maintained infrastructure is an essential component of a competitive economy that delivers a high standard of living for its citizens, based on vibrant businesses and rewarding employment opportunities. We are pleased, therefore, to have the opportunity to make this submission to the New Zealand Infrastructure Commission (the Commission) on the **Draft National Infrastructure Plan** (the Plan).

2. What the Plan should emphasise

2.1. We are also pleased to note that the Plan is consistent with the Commission's Discussion Document: **Developing an enduring National Infrastructure Plan**, on which we made a submission in December last year.

2.2. That submission can be found here 241210-Enduring-National-Infrastructure-Plan.pdf. In it, we made a number of key arguments which, briefly stated, were that:

- New Zealand spends inefficiently on infrastructure – not simply because the country has a small and low-density population.
- Different types of transport infrastructure should be treated as an integrated whole – businesses often have multi-modal transport strategies, and the Plan should acknowledge this.
- The importance of private infrastructure should be recognised in any plan – businesses need appropriate regulatory and policy settings to enable privately owned parts of the infrastructure to become more resilient and to operate efficiently.
- Infrastructure should be developed using a range of alternative funding mechanisms – infrastructure spending needs to be increased, but this will not be possible taxes and excise duties alone.
- A National Infrastructure Plan can only endure if there is bipartisan support – policy flip-flops following changes in government have contributed to a substandard infrastructure.
- Infrastructure investment decisions should prioritise business efficiency and economic growth - social, cultural and environmental wellbeing are important, but sustained improvements in these areas are only affordable when there is a strong economy.
- Workforce development - while this is largely the responsibility of businesses, it needs to be complemented with good information, based on official statistics, on labour and skills trends, as well as high quality public training institutions.
- Consenting processes - it is well known that complex and protracted resource consenting processes have also led to delays in starting and completing infrastructure construction projects. Legislation has been introduced to swap the RMA with several replacement Bills, but the replacement process needs to be completed.
- Judicious road infrastructure investments can help to reduce greenhouse gas emssions – especially where the investments are designed to remove traffic bottlenecks and congestion.

https://businessnz.org.nz/wp-content/uploads/2024/12/241210-Enduring-National-Infrastructure-Plan.pdf

3. Comments

3.1. Bearing in mind the key arguments listed above, we are largely satisfied that, if implemented and adhered to, the Plan will help to deliver the quality of infrastructure New Zealand needs. Accordingly, we are happy to endorse all but one of the recommendations, the exception being the one that focuses on transport system reform. The recommendation specifies that "*The land-transport funding gap is closed by requiring user charges to fully fund planned investment*".

3.2. Our concern about this recommendation is that full cost recovery based on user charges may not be practicable in many circumstances, and that it could lead to perverse outcomes.

3.3. Recovering costs of major investments to improve existing roads in urban environments would be difficult, an example being the planned Melling interchange on State Highway 2 in Lower Hutt. The wider project, of which the interchange is part, is estimated to cost $1.5 billion, and it is difficult to see how full cost recovery could be achieved. The most obvious cost recovery mechanism would be the imposition of tolls, but this is not likely to be feasible for the interchange alone. Tolls are better suited to longer sections of new highways, such as the forthcoming Otaki to North of Levin expressway.

3.4. It would be even more difficult to fully recover the cost of public transport infrastructure investments, such as a light railway system in one of the major cities. User charges on public transport services typically cover only 20% -25% of operational costs and contribute nothing towards their capital costs. Despite this, deficit funding is justified on the grounds that public transport services meet the needs of people who cannot, for whatever reason, use cars. The services also play an important role in helping to reduce need for additional road space that might be virtually impossible to provide in existing urban environments.

3.5. We recommend, therefore, that this recommendation should be reframed to recognise that the barriers to full cost recovery in the form of user charges will often be insurmountable.

3.6. On another matter, we agree with the Commission that more emphasis should be placed on maintenance. Much of New Zealand's infrastructure has been poorly maintained, and this has constrained productivity and business performance, as well as necessitating high levels of remedial spending in the longer term. The adage that "*a stitch in time saves nine*" has great validity in the sphere of infrastructure, but there has often been a temptation to turn a blind eye to the need for maintenance as a means for saving expenditure in the short term.

3.7. However, securing a sustained commitment to more maintenance will need bipartisan political support. We have been encouraged that there have been signs of cross-party agreement on the issue of funding and finance for new highway investments, but successful implementation of the Plan will require consensus-building for the infrastructure as a whole.

3.8. Lastly, we note the importance the Plan we are conscious that it will be challenging to give effect to Plan because it will require coordinated action by a number of government ministries and agencies. For this reason, it will be important for the final Plan to gain the support of the Cabinet, and that the relevant government bodies are directed to play their part in implementing it.

4. Conclusions and recommendations

4.1. BusinessNZ commends the Commission of undertaking the work to develop an infrastructure plan. If it is implemented as we hope, and gains bipartisan support in Parliament, it will improve the functioning of the economy and the lives of New Zealanders. However, based on our comments above, we wish to make three recommendations before the Plan is finalised.

4.2. Our recommendations are as follows:

1. The Plan's recommendation that the land-transport funding gap is closed by requiring user charges to fully fund planned investment should be modified so that it recognises the limitations on achieving this in relation to public transport and that it could lead to a mode shift that would necessitate more investment in road capacity.
2. The Commission should use its best endeavours to support a bipartisan approach to the financing, development and maintenance of all types of infrastructure.
3. The Commission should request Cabinet to endorse the Plan and to direct relevant government bodies to facilitate its implementation.

4.3. We look forward to the finalisation of the Plan, and its subsequent adoption and implementation.

BusinessNZ contact for any comments or questions:

[redacted]

The BusinessNZ Network is New Zealand's largest business organisation, representing:

- Business groups EMA, Business Central, Business Canterbury, and Business South
- BusinessNZ policy and advocacy services
- Major Companies Group of New Zealand's largest businesses
- Gold Group of medium-sized businesses
- Affiliated Industries Group of national industry associations
- ExportNZ representing New Zealand exporting enterprises
- ManufacturingNZ representing New Zealand manufacturing enterprises
- Sustainable Business Council of enterprises leading sustainable business practice
- BusinessNZ Energy Council of enterprises leading sustainable energy production and use
- Buy NZ Made - country of origin licensing organisation for NZ-made products, NZ-grown ingredients, and NZ-coded software services

The BusinessNZ Network is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

The BusinessNZ Network contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and Business at OECD (BIAC).

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